



**Grupo Sanborns S.A.B. de C.V.**

**Earnings Report**

**1Q 2016**

Mexico City, April 27, 2016 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the first quarter of 2016.

**HIGHLIGHTS**

- **Total sales** increased 3.6% during the 1Q16, and including the mobile phones and minutes, total sales reached 7.6%.
- **Gross Profit** grew 6.5% reaching \$4,135 MM, with a gross margin that increased 110 basis points to 40.2%.
- **Operating Income** increased 7.4%, with an operating margin that rose 40 basis points to 9.3%.
- **EBITDA** increased 9.8% during the quarter, with a 70 basis points increase in its margin to 11.9%.
- On March 10, 2016 the Irapuato Cibeles store in the State of Guanajuato was opened.
- Retail space grew 7.1% year over year, reaching 1,122,058 m2. For 2016 the target is to open **18 new stores** of all the formats, and **renovate 13 stores** of Sears and Sanborns. Two of them began works in 2015.
- On April 22, 2016 the Ordinary Shareholders´ Meeting was carried out, where it was resolved to pay a **cash dividend at a rate of \$0.86** (zero pesos 86/100 Mex. Cy) for each one of the shares fully subscribed to and paid for of the Series B-1 that represent the capital stock.

**FINANCIAL SUMMARY (Million Pesos MXN, MM Ps)**

Consolidated Results	1Q16	1Q15	Var%
Revenues	10,285	9,927	3.6%
Gross Profit	4,135	3,882	6.5%
Operating Income	954	888	7.4%
Controlling Net Income	631	558	13.1%
EBITDA*	1,221	1,112	9.8%
Gross Margin	40.2%	39.1%	
Operating Margin	9.3%	8.9%	
EBITDA Margin	11.9%	11.2%	

**TOTAL AND SAME STORES SALES (SSS)**

In the first quarter, total sales of Grupo Sanborns reached \$10,285 million, a 3.6% increase that meant \$358 million pesos more. It is important to remember that since the second half of September 2015, the revenue business model of mobile phones changed, recording the commission in the gross profit, which remained constant in peso terms. This change resulted in a reduction in total sales in the 1Q16 of \$401 million pesos. **Without this change, the sales figure of Grupo Sanborns increased 7.6% from \$9,927 MM in the 1Q15 to \$10,686 MM in the 1Q16.**



**Consolidated SSS** grew 1.2% during the 1Q16. Sears reported a -0.5% decrease in SSS, which went up to 0.2% excluding the effect of the stores that were under renovation.

SSS	1Q16	1Q16*	1Q15
Consolidated	1.2%	5.4%	8.6%
Sears	-0.5%	3.8%	7.1%
<i>Sears ex/R</i>	0.2%	5.0%	7.7%

Ex/R: Excluding stores under renovation

### CREDIT BUSINESS

**199 thousand cardholders** were added, bringing the number of private label cards to 3.51 million, compared to 3.31 million at the end of March 2015.

**The delinquency rate** is below the market, with a percentage of non-performing loans of more than 90 days of 2.8%, which was less than 3.1% recorded in the same period of the previous year.

The **loan portfolio grew 5.0%**, totaling \$10,143 million. Credit revenues increased from \$756 to \$783 million, or a 3.5% increase in the 1Q16.

Credit Indicators	1Q16	1Q15	Var%
Credit Portfolio (MM Ps)	10,143	9,663	5.0%
Num. Credit cards issued (MM)	3.51	3.31	6.0%
Non-performing loans (%)	2.8%	3.1%	

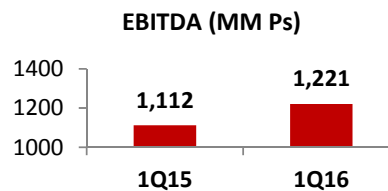
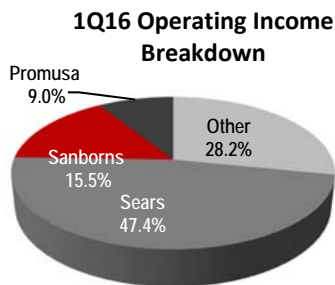
### GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross Profit increased 6.5% reaching \$4,135 MM. Gross margin expanded 110 basis points to 40.2%, driven by the change in the revenue business model of mobile phones, which offset a higher share of technology products within the sales mix.

During the 1Q16, operating expenses represented 30.9% of sales, including a higher depreciation from the expansion plan of the Group. Without considering the mobile phones business, the proportion of expenses to sales was 29.7%, being lower than 30.0% reported in the 1Q15.

### OPERATING INCOME AND EBITDA

Regarding the operating income and EBITDA, these items totaled \$954 and \$1,221 million, which represented increases of 7.4% and 9.8%, respectively. The operating margin improved to 9.3% of sales, while the EBITDA margin improved to 11.9%.



### COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)	1Q16	1Q15	Var%
<b>Financial Results</b>			
Interest Expenses	-27	-27	-0.2%
Income (Loss) on derivatives net	0	0	0.0%
Income (Loss) change in value of fin. instrum.	0	0	0.0%
Interest Income	62	57	8.5%
<b>Interest (net)</b>	<b>35</b>	<b>30</b>	<b>16.2%</b>
ForEx Results	-13	-10	35.9%
<b>CFR</b>	<b>22</b>	<b>21</b>	<b>6.8%</b>

NA= Not applicable

During the 1Q16 a positive comprehensive financial result (CFR) of \$22 million pesos was recorded, which was 6.8% higher than the CFR of the 1Q15, mainly due to the inclusion of higher net interest income, which partially offset a ForEx loss of \$13 million pesos.

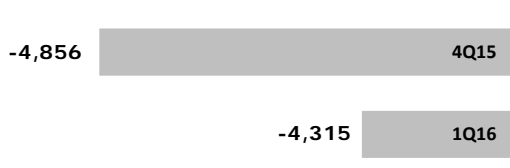
### NET INCOME

Better operating and financial results caused an increase of 13.1% in the controlling net income in the 1Q16, reaching \$631 million pesos, compared to \$558 million recorded in the 1Q15.

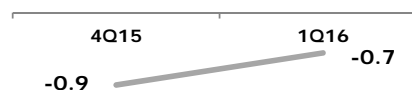
### DEBT

Grupo Sanborns had no debt at March 31, 2016, while the amount of cash and cash-equivalents totaled \$4,315 MM compared to \$4,856 MM at the end of December 2015. This decrease of \$540 million in cash was due to the funding of the expansion plan -where we opened a Sears store during the quarter- as well as to a higher credit portfolio and inventories.

Net Debt (MM Ps)



Net Debt/LTM EBITDA



**CAPITAL EXPENDITURES (CapEx)**

CapEx investments totaled \$421 MM compared to investments of \$493 MM during the same period of the previous year. Estimated CapEx for 2016 is of around \$2,659 million pesos, for the opening of 18 new stores of the 3 main formats and 13 renovations of Sears and Sanborns.

**RETAIL SPACE AND NUMBER OF STORES**

At March 31, 2016 sales space reached 1,122,058 sqm including 428 stores, an increase of 7.1% in the consolidated retail space compared to the same period of the previous year.

During the first quarter, the changes in the number of stores were as follows:

- **Sears:** Sears Irapuato Cibeles, located in the State of Guanajuato was opened with a retail area of 8,085 sqm.
- **Promusa:** Closed one MixUp store and three Edumac training centers.

Sales Area	March 2016			March 2015			sqm Var%
	Units	Sq meters	Leaseable Sqm	Units	Sq meters	Leaseable Sqm	
Sears	88	753,073		83	683,531		10.2%
Sanborns	170	258,983		168	255,356		1.4%
Promotora Musical	108	36,929		108	36,987		-0.2%
Other*	62	73,073		60	71,466		2.2%
Shopping Centers	2		71,225	2		71,225	0.0%
<b>Total</b>	<b>428</b>	<b>1,122,058</b>		<b>419</b>	<b>1,047,340</b>		<b>7.1%</b>

\*Includes stores in Central America, Sanborns Café, DAX stores, Saks Fifth Avenue and Boutiques. Shopping Centers are Plaza Inbursa and Plaza Loreto.

**RENOVATIONS AND EXPANSIONS OF SEARS STORES**

The renovation and expansion of Angelopolis Puebla continues, as well as the partial renovation of Guadalajara Galerías. Both stores started works in 2015.

**NEW RENOVATIONS FOR 2016**

Additional to the 2 stores that began in 2015, we are adding 11 new stores to the renovations plan of 2016, where 7 are Sears stores (one full and 6 partial renovations) and 4 are Sanborns full renovations. iShop is changing the image of 10 stores. Since the public offering in 2012 and until the end of 2015, we have 31% of the Sears stores with a new image that increases to 43% including the "soft" or partial renovations, while the percentage of Sanborns stores with a new image is 16%.



No.	SEARS		Delivery		SANBORNS		Delivery		iSHOP	
	Status	Date	Status	Deliver y Date	Status	Deliver y Date	Status	Date		
<b>New Stores</b>										
1	Irapuato Cibeles*	Terminada	1T16	Via Vallejo		2T16	Via Vallejo		2T16	
2	Via Vallejo		2T16	Tampico Fashion Mall		4T16	Tezontle		3T16	
3	Chimalhuacán		3T16	Cetram Toreo		4T16	Nezahualcóyotl		3T16	
4	Tampico Fashion Mall		4T16	Palmas		4T16	Tampico Fashion Mall		4T16	
5	Cetram Toreo		4T16	La Raza		4T16				
6	Barranca del Muerto		4T16	Atizapán		4T16				
7	Atizapán		4T16	Perinorte (conversión)		4T16				
<b>Renovations</b>										
<b>Full:</b>										
1	Oaxaca (Ampliación)		2T16	Plaza Insurgentes		2016	10 iShop Stores		2016	
2	Angelópolis Puebla (Ampliación)*		3T16	Galerías Coapa		2016				
<b>Partial Renovations:</b>										
1	Guadalajara Galerías*		2T16	Villa Coapa		2016				
2	Irapuato antiguo		3T16	Perisur		2016				
3	Aguascalientes		2016							
4	Tezontle		2016							
5	Galerías Coapa		2016							
6	Tampico		2016							
7	Centro Histórico		2016							

\*Stores that started its renovation or construction in 2015

## WORKING CAPITAL

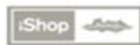
The balance of the inventory account at March 31, 2016 was \$9,489 MM, increasing 3.1% from the balance at the end of December last year, which totaled \$9,205 MM, reflecting inventories for the new stores and special sales promotions. Considering the seasonality of our operations accounts payable to suppliers were \$4,773 MM, which meant a reduction of 22.2% compared to the amount of the 4Q15. Lastly, accounts receivable totaled \$10,064 MM decreasing 5.4% compared to the balance at end-4Q15.

### NOTE:

Other: includes DAX, Sanborns Café Restaurants, Saks Fifth Avenue, Sears and Sanborns stores in Central America, Pam Pam industrial catering, Sanborns and Mixup credit cards and Plaza Loreto and Plaza Inbursa malls, royalties and corporate charges paid by our subsidiaries to Grupo Sanborns as well as eliminations of transactions between subsidiaries.

### CONFERENCE CALL DETAILS:

Date: Thursday, April 28, 2016  
 Time: 10:00-11:00 A.M. Mexico City Time / 11:00 A.M. -12:00 PM NY Time (US EST)  
 Access Number: +1 (412) 317-5457 (International and Mexico)  
 Toll Free U.S.: +1(844) 846-8976  
 Conference ID: 10084905  
 Replay: +1 (412) 317-0088 / +1 (877) 344-7529  
 Replay Access Code: 10084905 (Available 7 days)



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**ADDITIONAL CHARTS:**

Income Statement (Million Pesos)	(MM USD)							
	1Q16		1Q15		Var %	1Q16	1Q15	Var %
Revenues	9,502	92.4%	9,171	92.4%	3.6%	527	614	-14.1%
Consumer Credit Income	783	7.6%	756	7.6%	3.5%	43	51	-14.2%
<b>Total Revenues</b>	<b>10,285</b>	<b>100.0%</b>	<b>9,927</b>	<b>100.0%</b>	<b>3.6%</b>	<b>571</b>	<b>665</b>	<b>-14.1%</b>
COGS	6,150	59.8%	6,044	60.9%	1.7%	341	405	-15.7%
<b>Gross Profit</b>	<b>4,135</b>	<b>40.2%</b>	<b>3,882</b>	<b>39.1%</b>	<b>6.5%</b>	<b>229</b>	<b>260</b>	<b>-11.7%</b>
SG&A	3,179	30.9%	2,977	30.0%	6.8%	176	199	-11.5%
Other income (expenses)	-2	0.0%	-17	-0.2%	-86.6%	0	-1	-88.9%
<b>Operating Income</b>	<b>954</b>	<b>9.3%</b>	<b>888</b>	<b>8.9%</b>	<b>7.4%</b>	<b>53</b>	<b>59</b>	<b>-11.0%</b>
Comprehensive Financial Result	22	0.2%	21	0.2%	6.8%	1	1	-11.5%
Share of Profit of Associates and JV's.	0	0.0%	0	0.0%	0.0%	0	0	0.0%
<b>Income before Taxes</b>	<b>976</b>	<b>9.5%</b>	<b>908</b>	<b>9.2%</b>	<b>7.4%</b>	<b>54</b>	<b>61</b>	<b>-11.0%</b>
Taxes	269	2.6%	279	2.8%	-3.6%	15	19	-20.1%
<b>Consolidated Net Income</b>	<b>707</b>	<b>6.9%</b>	<b>629</b>	<b>6.3%</b>	<b>12.3%</b>	<b>39</b>	<b>42</b>	<b>-7.0%</b>
Profit attributable to non-controlling int.	76	0.7%	72	0.7%	5.4%	4	5	-12.6%
<b>Profit attributable to owners of parent Co.</b>	<b>631</b>	<b>6.1%</b>	<b>558</b>	<b>5.6%</b>	<b>13.1%</b>	<b>35</b>	<b>37</b>	<b>-6.2%</b>
<b>EBITDA*</b>	<b>1,221</b>	<b>11.9%</b>	<b>1,112</b>	<b>11.2%</b>	<b>9.8%</b>	<b>68</b>	<b>74</b>	<b>-9.0%</b>

Balance Sheet figures (Million Pesos)				(MM USD)		
	1Q16	4Q15	Var %	1Q16	4Q15	Var %
Cash & Equivalents	4,315.2	3,904.5	10.5%	240	233	2.7%
Trade Receivables	10,064.2	10,633.4	-5.4%	559	635	-12.0%
Other Trade Receivables	162.2	234.7	-30.9%	9	14	-35.7%
Recoverable Taxes	650.1	604.0	7.6%	36	36	0.1%
Other Financial Assets	0.0	951.0	NA	0	57	NA
Inventories	9,489.3	9,204.6	3.1%	527	550	-4.2%
Other Non-Financial Assets	208.1	126.9	64.0%	12	8	52.5%
<b>Current Assets</b>	<b>24,889.2</b>	<b>25,659.0</b>	<b>-3.0%</b>	<b>1,381</b>	<b>1,532</b>	<b>-9.8%</b>
Other Non-Current Trade Receivables	27.5	27.5	0.0%	2	2	-7.0%
Other Non-Current Financial Assets	1.3	1.3	0.0%	0	0	-7.0%
Property, Plant and Equipment	12,748.8	12,608.5	1.1%	708	753	-6.0%
Investment Properties	2,086.2	2,086.2	0.0%	116	125	-7.0%
Intangible Assets and Goodwill	7.9	1.2	574.2%	0	0	NA
Deferred Tax Assets	432.0	362.9	19.0%	24	22	10.7%
Other Non-Current Non-Fin. Assets	620.8	617.4	0.5%	34	37	-6.5%
<b>Non-Current Assets</b>	<b>15,924.4</b>	<b>15,705.0</b>	<b>1.4%</b>	<b>884</b>	<b>938</b>	<b>-5.7%</b>
<b>Total Assets</b>	<b>40,813.6</b>	<b>41,364.0</b>	<b>-1.3%</b>	<b>2,265</b>	<b>2,470</b>	<b>-8.3%</b>
Trade Payables	4,772.6	6,135.5	-22.2%	265	366	0.0%
Short-Term Taxes Payable	1,461.5	2,065.9	-29.3%	81	123	-34.2%
Short-Term Bank Debt	0.0	0.0	0.0%	0	0	0.0%
Other Current Financial Liabilities	646.8	500.3	29.3%	36	30	20.2%
Current Provisions	2,103.6	2,050.0	2.6%	117	122	-4.6%
<b>Current Liabilities</b>	<b>8,984.6</b>	<b>10,751.7</b>	<b>-16.4%</b>	<b>499</b>	<b>642</b>	<b>-22.3%</b>
Long-Term Taxes Payable	401.7	245.9	63.4%	22	15	0.0%
Long-Term Bank Debt	0.0	0.0	0.0%	0	0	0.0%
Other L.T. Financial Liabilities	0.0	0.0	0.0%	0	0	0.0%
Other Non-Financial L.T. Liabilities	11.6	0.0	NA	1	0	NA
Long-Term Provisions	170.2	161.9	5.1%	9	10	-2.2%
Deferred Tax Liabilities	819.0	809.4	1.2%	45	48	-5.9%
<b>Non-Current Liabilities</b>	<b>1,402.6</b>	<b>1,217.2</b>	<b>15.2%</b>	<b>78</b>	<b>73</b>	<b>7.1%</b>
<b>Total Liabilities</b>	<b>10,387.1</b>	<b>11,968.9</b>	<b>-13.2%</b>	<b>577</b>	<b>715</b>	<b>-19.3%</b>
<b>Stockholder's Equity</b>	<b>30,426.5</b>	<b>29,395.1</b>	<b>3.5%</b>	<b>1,689</b>	<b>1,755</b>	<b>-3.8%</b>
Shares Outstanding ( '000)	2,306,415	2,310,971	-0.2%	2,306,415	2,310,971	-0.2%
Closing Stock Price	24.67	26.36	-6.4%	1.4	1.6	-13.0%

NA=Not Applicable